

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
OFFICE OF COMMUNITY DEVELOPMENT

SUBJECT: **Conflict of Interest Regulations**

Policy Bulletin #8

EFFECTIVE DATE: June 1, 1997 **(revised October 1, 2012)**

Any grantee (local unit of government or nonprofit) receiving Community Development Division (CD) funds (state or federal) must comply with federal Conflict of Interest regulations when awarding contracts or assisting households. This Policy Bulletin addresses the following:

- General Prohibitions
- Who is Covered
- Conflicts Prohibited
- Request for Exceptions
- HOME Occupancy Restrictions for Owners, Developers, or Sponsors
- Penalties for Violations

Conflict of Interest requirements are based on Community Development Block Grant (CDBG) and HOME Investment Partnership Program (HOME) regulations found at 24 CFR 570.489 and 24 CFR 570.611 (CDBG) and 24 CFR 92.356 (HOME). In addition, these Conflict of Interest rules regulate the purchase of supplies, equipment, construction, and other related services. [See 24CFR 85.36 and 24 CFR 85.42 (the Common Rule).]

General Prohibitions

No employee, officer, agent, or subrecipient of CD funds shall participate in the selection, award, or administration of a contract involving CD funds if a conflict of interest, either real or apparent, is involved.

No employee, officer, agent, or subrecipient of CD funds shall accept gratuities, favors, or anything of monetary value from contractors, potential contractors, or parties to a subagreement.

Who is Covered

Any person who is an employee, agent, consultant, officer, or elected official or appointed official of the grantee, state recipient, or subrecipient is covered by conflict of interest provisions if he/she currently or in the past:

- Has exercised any functions or responsibilities regarding CD-assisted activities; or
- Is in a position to participate in a decision-making process or gain inside information with regard to CD-assisted activities; or
- Has a financial interest in any contract, subcontract, or agreement with respect to a CD-assisted project or the proceeds of the contract, subcontract, or agreement, either for themselves or for those with whom they have family or business ties.

Conflicts Prohibited

No persons described above may obtain a financial interest or benefit from a CD-assisted activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have a family or business ties, during their tenure or for one year thereafter.

Request for Exceptions

Upon written request to MSHDA, exceptions to these provisions may be granted on a case-by-case basis. Grantees shall use the applicable attachment to give a detailed description of the nature of the conflict, give a rationale for every factor that must be considered in making a determination and attach all supporting documentation as requested.

The grantee's Authorized Official (signer of Grant Agreement) shall submit a written request for exception to his/her MSHDA CD contact.

- Requests from grantees for CDBG and NSP1 funded activities will be reviewed by MSHDA.
- Requests from grantees for NSP 2-funded activities will be forwarded to HUD for review.
- Requests from grantees functioning as subrecipients for HOME-funded activities (homeowner rehab, rental rehab, ADR rehab and HPR) will be forwarded to HUD for review.
- Requests from grantees functioning as developers and/or owners for HOME-funded development activities (ADR new construction and rental development) will be forwarded to HUD for review.

Note: Requests from CHDOs will be reviewed by either MSHDA or HUD depending on their function as subrecipient or developer in the grant process.

HOME Occupancy Restrictions for Owners, Developers, or Sponsors

HOME regulations at 92.356(f) prohibit owners, developers, or sponsors (or a covered person as described above) from occupying a HOME -assisted project. Grantees may request an exception to this provision by completing and submitting Attachment C.

Any questions regarding this Policy Bulletin should be directed to your Community Development representative.

Penalties for Violations

The penalty for violations of these provisions could include repayment of CD funds and/or ineligibility for future participation. Other penalty, sanction, or disciplinary action shall be determined by MSHDA.

Attachment A, Request for Exception to CDBG, Conflict of Interest Provisions (24 CFR 570.489(h)(4)) (for all CDBG, NSP1, or NSP2 grant activities).

Attachment B, Request for Exception to HOME Conflict of Interest Provisions (24 CFR 92.386)

Attachment C, Request for Exception to HOME Occupancy Restrictions (24 CFR 92.356(f))